

OFFICE OF THE CITY ATTORNEY

**ATTACHMENTS SUPPORTING
INTERIM REPORT NO. 24**

CIRCULATED FOR COMMENT ONLY

- 1. SDCERS – TOP 20 RETIREES OVER \$1 MILLION**
- 2. SDCERS – PRESENT VALUE OF FUTURE BENEFITS**
- 3. SDCERS – PURCHASE OF SERVICE CREDITS**
- 4. SDCERS – DROP RESERVE**
- 5. SDCERS – EXCESS BENEFITS PAYMENTS**
- 6. SDCERS – UNFUNDED ACTUARIALLY ACCRUED LIABILITY**
- 7. CITY OF SAN DIEGO – CONTRIBUTIONS TO SDCERS**
- 8. CITY OF SAN DIEGO – BUDGETS**
- 9. SDCERS – FINANCIAL STATEMENTS**

ATTACHMENT 1

SDCERS City Retirees - All Types

	Annual Benefit	Form of Benefit	Percent to Survivor	PVAB	Type	Class
1	164,383.20	Joint & Survivor	50	2,354,565.00	DROP	General
2	153,091.80	Joint & Survivor	50	2,150,878.00	Normal	General
3	153,860.76	Joint & Survivor	50	1,982,747.00	Normal	General
4	160,126.20	Life Annuity		1,922,354.00	DROP	General
5	121,615.92	Joint & Survivor	100	1,907,539.00	Normal	Police
6	143,215.92	Joint & Survivor	50	1,900,539.00	DROP	Police
7	137,887.08	Joint & Survivor	50	1,894,243.00	DROP	Fire
8	176,248.92	Life Annuity		1,892,588.00	DROP	General
9	138,480.60	Joint & Survivor	50	1,842,264.00	Normal	General
10	141,064.20	Life Annuity		1,821,462.00	DROP	Fire
11	129,247.08	Joint & Survivor	50	1,821,316.00	DROP	General
12	129,177.24	Joint & Survivor	50	1,815,019.00	Normal	Fire
13	124,223.04	Joint & Survivor	100	1,813,178.00	DROP	Fire
14	153,975.48	Life Annuity		1,811,114.00	Normal	General
15	125,386.56	Joint & Survivor	50	1,792,430.00	Normal	Fire
16	132,549.84	Joint & Survivor	50	1,785,099.00	Normal	General
17	125,621.40	Joint & Survivor	50	1,766,511.00	Normal	General
18	141,599.04	Life Annuity		1,754,014.00	Normal	General
19	120,640.68	Life Annuity		1,750,614.00	DROP	Police
20	123,443.52	Joint & Survivor	50	1,748,823.00	DROP	Fire
21	122,777.52	Joint & Survivor	50	1,743,935.00	Normal	Police
22	118,987.44	Joint & Survivor	50	1,741,529.00	DROP	Fire
23	131,231.64	Joint & Survivor	50	1,732,700.00	DROP	Fire
24	115,341.24	Joint & Survivor	50	1,727,179.00	DROP	Fire
25	117,463.80	Joint & Survivor	50	1,717,295.00	Normal	Police
26	130,959.12	Joint & Survivor	50	1,702,109.00	Normal	General
27	135,295.56	Life Annuity		1,675,932.00	DROP	General
28	115,909.80	Joint & Survivor	50	1,666,882.00	Normal	Police
29	113,852.28	Joint & Survivor	50	1,658,287.00	DROP	Fire
30	107,009.28	Joint & Survivor	100	1,655,246.00	DROP	Lifeguard
31	110,888.28	Joint & Survivor	100	1,651,170.00	Normal	General
32	114,839.40	Joint & Survivor	50	1,627,767.00	DROP	Police
33	132,788.28	Joint & Survivor	50	1,624,524.00	Normal	Police
34	114,147.96	Joint & Survivor	50	1,617,930.00	DROP	General
35	114,356.76	Joint & Survivor	50	1,596,775.00	Normal	Police
36	125,288.28	Joint & Survivor	50	1,594,368.00	Normal	General
37	111,422.52	Life Annuity		1,581,390.00	DROP	Police
38	117,053.76	Life Annuity		1,576,156.00	Normal	General
39	122,118.72	Joint & Survivor	50	1,565,348.00	Normal	Fire
40	105,660.72	Joint & Survivor	100	1,558,567.00	Normal	Police
41	113,345.04	Joint & Survivor	50	1,557,093.00	DROP	Police
42	111,822.12	Joint & Survivor	50	1,556,634.00	Normal	General
43	107,949.00	Joint & Survivor	50	1,554,707.00	DROP	General
44	108,317.28	Joint & Survivor	50	1,553,083.00	Normal	General
45	108,050.04	Life Annuity		1,551,109.00	DROP	Fire
46	114,594.96	Joint & Survivor	50	1,545,817.00	Normal	General
47	109,985.04	Life Annuity		1,522,750.00	DROP	Police
48	122,933.04	Joint & Survivor	50	1,522,313.00	Normal	Police

SDCERS-CITY OF SAN DIEGO
JUNE 30, 2006 ACTUARIAL VALUATION

**SECTION III
LIABILITIES**

Table III-1a SDCERS - City of San Diego - Total		
Item	June 30, 2006	June 30, 2005*
Present Value of Future Benefits		
Actives	\$ 3,463,425,413	\$ 3,639,468,040
Terminated Vesteds	189,840,833	135,169,560
Disabled	371,327,233	344,346,695
Retirees	2,335,419,143	1,737,804,362
Beneficiaries	115,456,455	101,112,062
Total City	\$ 6,475,469,077	\$ 5,957,900,719
Actuarial Liability - PUC		
Actives	\$ 1,970,655,791	\$ 2,058,660,269
Terminated Vesteds	189,840,833	135,169,560
Disabled	371,327,233	344,346,695
Retirees	2,335,419,143	1,737,804,362
Beneficiaries	115,456,455	101,112,062
Total City	\$ 4,982,699,455	\$ 4,377,092,948
Market Value of Assets	\$ 3,981,931,694	\$ 3,205,721,975
Actuarial Value of Assets	\$ 3,981,931,694	\$ 2,983,079,852
Unfunded Actuarial Liability	\$ 1,000,767,761	\$ 1,394,013,096
Actuarial Liability - EAN		
Total Present Value of Benefits	\$ 6,475,469,077	\$ 5,957,900,719
Present Value of Future Normal Costs		
Employer Portion	705,063,836	743,299,479
Employee Portion	578,443,905	612,559,471
Actuarial Liability - EAN	\$ 5,191,961,336	\$ 4,602,041,768
Actuarial Value of Assets	\$ 3,981,931,694	\$ 2,983,079,852
Unfunded EAN Actuarial Liability	\$ 1,210,029,642	\$ 1,618,961,916

* The June 30, 2005 results do not reflect the contingent liabilities, DROP reserves, supplemental COLA reserves, nor did it apply IRC section 415.



August 14, 2007

Mr. David Wescoe
Retirement Administrator
San Diego City Employees' Retirement System
401 West A Street, Suite 400
San Diego, CA 92101

Dear David:

When we appeared before the Board in July, we were asked to update our previous analysis of the experience of the purchase service credit (PSC) program since inception to include all categories of participants (e.g., actives, terminated vested) and those in pay-status (e.g., retirees, beneficiaries and disabilities). This letter presents the results of our update and additional conclusions based on this update.

Exhibit A (attached) provides a summary of our analysis.

Our key findings are as follows:

- Cheiron estimates that the net actuarial deficiency between the additional value of benefits due to the additional service credits and the accumulated amounts paid by all active participants, retirees (including active DROPS), and term vested for such additional credits, as of the June 30, 2006 actuarial valuation, is approximately \$146 million.

As requested, this amount is comprised of the following categories:

a. Pre-2000	\$ 20 million
b. 7/1/2000-6/30/2002	\$ 63 million
c. 7/1/2002-8/15/2003	\$ 29 million
d. 8/16/2003-10/31/2003	\$ 34 million
e. 11/01/2003-6/30/2006	<u>\$ 0 million</u>
Total	\$146 million

- Our analysis is consistent with Navigant Consulting's January 2006 estimate of "more than \$100 million," which was based on the June 30, 2004 actuarial valuation.
- As we have previously reported to the Board, the current rates being charged today "make the system whole." As a result, we continue to recommend that SDCERS make no change to the current rate structure until we complete our experience study in the summer of 2008. At that time, we will likely recommend changes to the current pricing methodology and review process.



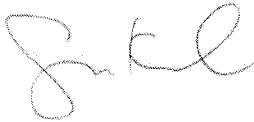
Mr. David Wescoe
August 14, 2007
Page 2

- Approximately \$20 million of the \$140 million liabilities is not part of SDCERS' unfunded actuarial liabilities (UAL) as of June 30, 2006. This amount represents benefits in excess of IRS limitations (Section 415) and is a direct obligation of the City. Until the on-going work in connection the IRS VCP program is finished, we will not know the final number for this item.
- Amounts reflected in the City's June 30, 2006 UAL are included in the City Annual Required Contribution payment. There would be no impact on SDCERS' financial condition, current or projected, if responsibility for funding this deficiency was transferred from the plan sponsors to others (e.g. current or former members).
- With respect to the UPD and Airport Authority, we presented to the board an analysis in July which showed an additional net PSC liability of \$3.7 million attributable to active members as of June 30, 2006.

Finally, our analysis is based June 30, 2006 actual data and reflects accumulative experience gains and losses (people living longer, retiring different than assumed, salary increases, etc.) that could not be anticipated at the time any member actually purchased service.

Please let me know if you have any questions.

Sincerely,
Cheiron



Gene Kalwarski, FSA
Consulting Actuary

Attachment

Exhibit A

CITY of San Diego Purchase Service Credit Analysis

A1. Contracts Effective before 7/1/2000 (Pre-Corbett)	GENERAL	SAFETY	TOTAL ACTIVE	RETIREES, TVS, and BENEFICIARIES	GRAND TOTAL
Total Contracts	97	18	115	332	447
Average Age at Purchase	44.6	40.9	44.0	53.9	51.3
Total Years	397	66	463	1,196	1,660
Average Years/contract	4.1	3.7	4.0	3.6	3.7
Contract amount accumulated to June 30, 2006	3,832,614	1,452,109	5,284,723	7,134,269	12,418,992
Contract amount accumulated to June 30, 2006-Benefits at Purchase Date	5,289,523	1,507,627	6,797,151	26,019,851	32,817,001
Gain/(Loss) as of June 30, 2006-Benefits at Purchase Date	\$ (1,456,909)	\$ (55,518)	\$ (1,512,627)	\$ (18,885,582)	\$ (20,398,009)

19769
= 1031

A2. Contracts Effective 7/1/2000 - 6/30/2002 (MP2/Old Rates)	GENERAL	SAFETY	TOTAL ACTIVE	RETIREES, TVS, and BENEFICIARIES	GRAND TOTAL
Total Contracts	586	134	720	858	1,578
Average Age at Purchase	44.9	38.4	43.7	53.2	48.9
Total Years	2,469	366	2,834	3,232	6,066
Average Years/contract	4.2	2.7	3.9	3.8	3.8
Contract amount accumulated to June 30, 2006	24,800,778	6,868,596	31,669,375	25,992,860	57,662,235
Contract amount accumulated to June 30, 2006-Benefits at Purchase Date	37,186,801	6,414,761	43,601,561	76,653,167	120,254,728
Gain/(Loss) as of June 30, 2006-Benefits at Purchase Date	\$ (12,386,023)	\$ (53,836)	\$ (11,932,186)	\$ (50,660,307)	\$ (63,992,449)

19824
= 315748

B1. Contracts Effective 7/1/2002 - 8/15/2003 (Board Action/Old Rates)	GENERAL	SAFETY	TOTAL ACTIVE	RETIREES, TVS, and BENEFICIARIES	GRAND TOTAL
Total Contracts	575	194	769	417	1,186
Average Age at Purchase	45.9	39.9	44.4	52.7	47.3
Total Years	2,171	512	2,683	1,446	4,129
Average Years/contract	3.8	2.6	3.5	3.5	3.5
Contract amount accumulated to June 30, 2006	19,712,630	9,347,114	29,059,744	13,797,577	42,857,322
Contract amount accumulated to June 30, 2006-Benefits at Purchase Date	28,923,615	9,451,816	38,375,431	33,716,183	72,091,615
Gain/(Loss) as of June 30, 2006-Benefits at Purchase Date	\$ (9,210,985)	\$ (104,702)	\$ (9,315,687)	\$ (19,918,606)	\$ (28,234,293)

17459
= 167448

B2. Contracts Effective 8/16/2003 - 10/31/2003 ("Grandfathered" and "Window" members/Old Rates)	GENERAL	SAFETY	TOTAL ACTIVE	RETIREES, TVS, and BENEFICIARIES	GRAND TOTAL
Total Contracts	1,609	412	2,021	371	2,392
Average Age at Purchase	44.6	40.7	43.8	49.8	44.8
Total Years	5,726	828	6,554	1,287	7,841
Average Years/contract	3.6	2.0	3.2	3.5	3.3
Contract amount accumulated to June 30, 2006	49,363,269	15,510,817	64,874,086	13,297,562	78,171,648
Contract amount accumulated to June 30, 2006-Benefits at Purchase Date	71,413,136	14,463,793	85,876,929	26,252,431	112,129,360
Gain/(Loss) as of June 30, 2006-Benefits at Purchase Date	\$ (22,049,867)	\$ (1,047,024)	\$ (21,002,843)	\$ (12,954,869)	\$ (36,997,722)

14380
= 2374

C. Contracts Effective 11/1/2003 - Present (New Rates)	GENERAL	SAFETY	TOTAL ACTIVE	RETIREES, TVS, and BENEFICIARIES	GRAND TOTAL
Total Contracts	170	101	271	101	372
Average Age at Purchase	47.2	36.4	43.1	50.4	45.1
Total Years	479	273	752	196	948
Average Years/contract	2.8	2.7	2.8	1.9	2.5
Contract amount accumulated to June 30, 2006	4,966,536	4,063,647	9,030,183	3,068,633	12,098,816
Contract amount accumulated to June 30, 2006-Benefits at Purchase Date	4,964,886	2,426,237	7,391,123	5,133,245	12,524,368
Gain/(Loss) as of June 30, 2006-Benefits at Purchase Date	\$ (16,350)	\$ (1,637,109)	\$ (1,639,059)	\$ (2,064,612)	\$ (4,255,534)

= 13211
= 32

D. GRAND Total For All 5 Periods	GENERAL	SAFETY	TOTAL ACTIVE	RETIREES, TVS, and BENEFICIARIES	GRAND TOTAL
Total Contracts	3,037	859	3,896	2,079	5,975
Average Age at Purchase	45.1	39.6	43.9	52.5	46.9
Total Years	11,242	2,045	13,286	7,357	20,643
Average Years/contract	3.7	2.4	3.4	3.5	3.5
Contract amount accumulated to June 30, 2006	102,675,827	37,242,284	139,918,111	63,290,901	203,209,012
Contract amount accumulated to June 30, 2006-Benefits at Purchase Date	147,777,961	34,264,234	182,042,195	167,774,878	349,817,073
Gain/(Loss) as of June 30, 2006-Benefits at Purchase Date	\$ (45,102,134)	\$ (2,978,847)	\$ (42,124,084)	\$ (104,483,977)	\$ (95,088,040)

16,946
= 8651

21
1031
3157
1674
2374
8236
32
8268

ATTACHMENT 4

Summary of Reported Asset Information

Submitted for the June 30, 2000 Valuation

Market Value of Reported Assets		Reserves	
Cash/Short-term	\$232,959,513	Member Deposit Reserve	\$295,762,443
Domestic Stocks	1,064,985,536	DROP Reserve	38,187,621
International Stocks	408,202,384	Employer Reserve	392,195,260
Bonds	1,005,154,473	Retired Members Reserve	995,066,229
Mortgages	2,784,927	General Reserve	109,160,143
Real Estate	226,687,071	Undistributed Reserve	338,366,856
Receivables	58,236,241	Encumbrance Reserve	1,977,957
		Supplemental Benefit Reserve	3,711,146
Total Market Value	\$2,999,010,145	Receivables Reserve	2,109,282
		Fixed Assets Reserve	293,284
		Retiree Health Insurance Res	11,374,263
		401(h) Reserve	9,817,634
		Supplemental COLA Reserve	33,047,931
		City Changes Reserve	82,498,325
		UPD Changes Reserve	4,272,283
		Employee Cont. Rate Inc.	41,765,545
		NPO Reserve	23,046,989
		Payables	346,517,911
		Total Reserves	\$2,729,171,102
		Unrealized Appreciation	269,839,043
		Total Market Value	\$2,999,010,145

(Continued on Next Page)

San Diego City Employees' Retirement System

Summary of Reported Asset Information

Submitted for the June 30, 2001 Valuation

Market Value of Reported Assets		Reserves	
Cash/Short-term	\$234,194,670	Member Deposit Reserve	\$316,365,007
Domestic Stocks	1,093,158,064	DROP Reserve	66,373,564
International Stocks	353,605,176	Employer Reserve	439,122,663
Bonds	803,756,585	Retired Members Reserve	1,139,754,674
Mortgages	1,617,777	General Reserve	109,160,143
Real Estate	267,515,151	Undistributed Reserve	106,795,160
Receivables	41,695,256	Encumbrance Reserve	2,689,362
Miscellaneous	11,903,939	Supplemental Benefit Reserve	3,713,427
		Receivables Reserve	3,386,133
Total Market Value	\$2,807,446,618	Fixed Assets Reserve	264,578
		Retiree Health Insurance Reserve	12,771,253
		401(h) Reserve	13,984,279
		Supplemental COLA Reserve	31,530,240
		City Changes Reserve	82,498,325
		UPD Changes Reserve	4,272,283
		Employee Cont. Rate Inc.	40,490,052
		NPO Reserve	30,983,989
		Corbett Contingency Reserve	105,848,108
		Payables	205,633,450
		Total Reserves	\$2,715,636,690
		Unrealized Appreciation	91,809,928
		Total Market Value	\$2,807,446,618

(Continued on Next Page)

San Diego City Employees' Retirement System

Summary of Reported Asset Information

Submitted for the June 30, 2002 Valuation

Market Value of Reported Assets		Reserves	
Cash/Short-term	\$243,596,793	Member Deposit Reserve	\$372,129,066
Domestic Stocks	935,859,657	DROP Reserve	97,430,035
International Stocks	379,798,539	Employer Reserve	459,073,155
Bonds	687,237,643	Retired Members Reserve	1,289,713,478
Mortgages	1,515,530	General Reserve	109,160,143
Real Estate	267,360,092	Undistributed Reserve	(18,748,424)
Receivables	71,249,804	Encumbrance Reserve	3,910,512
Miscellaneous	23,005,214	Supplemental Benefit Reserve	3,714,211
Total Market Value	\$2,609,623,272	Receivables Reserve	6,577,586
		Fixed Assets Reserve	290,737
		Retiree Health Insurance Reserve	14,317,073
		401(h) Reserve	17,873,395
		Supplemental COLA Reserve	29,944,109
		City Changes Reserve	82,498,325
		UPD Changes Reserve	4,272,283
		Employee Cont. Rate Inc.	40,650,714
		NPO Reserve	39,230,748
		Payables	79,519,306
		Total Reserves	\$2,631,556,452
		Unrealized Appreciation	(21,933,180)
		Total Market Value	\$2,609,623,272

(Continued on Next Page)

San Diego City Employees' Retirement System

Summary of Reported Asset Information

Submitted for the June 30, 2003 Valuation

	<u>Market Value of Reported Assets</u>		<u>Reserves</u>
Cash/Short-term	\$312,044,538	Member Deposit Reserve	\$407,903,833
Stocks	1,122,227,510	Drop Reserve	134,169,637
International Stocks	382,783,361	Employer Reserve	556,138,768
Bonds	583,984,424	Retired Members Reserve	1,410,001,316
Mortgages	668,621	Undistributed Reserve	(53,195,016)
Real Estate	230,724,469	Encumbrance Reserve	1,035,461
Receivables	76,659,255	Receivables Reserve	9,980,112
Short Term Investments	70,934,651	Fixed Assets Reserve	190,984
		Retiree Health 401(h) Reserve	20,740,269
Miscellaneous	<u>53,568</u>	Supplemental COLA Reserve	25,726,019
Total Market Value ¹	\$2,780,080,397	Employee Cont. Rate Inc. Reserve	34,487,109
		Payables	<u>101,030,594</u>
		Total Reserves	\$2,648,209,086
		Unrealized Appreciation	<u>131,871,311</u>
		Total Market Value	\$2,780,080,3

¹ Excluding \$217,483,222 "wash" item for Securities Lending Collateral

(Continued on Next Page)

San Diego City Employees' Retirement System

Summary of Reported Asset Information

Submitted for the June 30, 2004 Valuation

<u>Market Value of Reported Assets</u>		<u>Reserves</u>	
Cash/Short-term	\$343,851,225	Member Deposit Reserve	\$481,069,841
Stocks	1,296,359,749	Drop Reserve	185,107,857
International Stocks	531,526,719	Employer Reserve	258,796,193
Bonds	617,720,971	Retired Members Reserve	1,690,624,783
Mortgages	17,022	Undistributed Reserve	164,876,711
Real Estate ²	277,859,857	Encumbrance Reserve	1,640,732
Receivables	86,500,203	Receivables Reserve	20,919,415
Short Term Investments	214,401,018	Fixed Assets Reserve	190,949
		Retiree Health 401(h) Reserve	7,910,366
Miscellaneous	<u>2,522</u>	Supplemental COLA Reserve	21,739,416
Total Market Value ¹	\$3,368,239,286	Employee Cont. Rate Inc. Reserve	21,391,905
		Payables	<u>90,665,490</u>
		Total Reserves	\$2,944,933,658
		Unrealized Appreciation	<u>423,305,625</u>
		Total Market Value ¹	\$3,368,239,286

¹ Excluding \$323,718,683 "wash" item for Securities Lending Collateral.

² We are using this value per the auditor's office. Another figure of \$275,358,276 was also reflected in the financials.

(Continued on Next Page)

SDCERS-CITY OF SAN DIEGO
JUNE 30, 2005 ACTUARIAL VALUATION

SECTION II
ASSETS

Table II-3 below develops both the net market value and net book value of System assets. Net assets are those assets available to fund the liabilities valued in determining the System's contribution requirements.

Table II-3 SDCERS - All Employers Summary of Assets Available for Total Defined Benefit Plan		
	Book Value	Market Value
1. Total Value of Assets - June 30, 2005	\$ 3,199,953,851	\$ 3,679,485,037
2. Less reserves and liabilities excluded from valuation		
a. Contingent benefits payable from distributed Earnings Reserve	\$ 11,912,682	\$ 11,912,682
b. Reserve for Retiree Health Insurance	0	0
c. Reserve for DROP contributions	228,514,263	228,514,263
d. Reserve for Employee Contribution Rate Increase	8,905,418	8,905,418
e. Reserve for Supplemental Cola	17,839,967	17,839,967
f. Total Excludable: Sum of a. through e.	267,172,329	267,172,329
3. Net Value of Assets - June 30, 2005: (1 - 2f)	\$ 2,932,781,522	\$ 3,412,312,708

SECTION II ASSETS

A. Disclosure

The market value of assets represents a “snap-shot” value as of the last day of the fiscal year that provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. Because these fluctuations would result in volatility in employer contributions, an actuarial value of assets is developed. Table II-1 below discloses the market value by asset class of SDCERS – All employers’ gross assets on June 30, 2006. Table II-2 which follows, discloses the book value of gross assets, by type of book reserve.

Table II-1 SDCERS – All Employers Summary of Reported Market Value of Total Defined Benefit Plan Assets	
Cash	\$ 493,016,555
US Stocks	1,605,508,248
International Stocks	703,112,207
Bonds	940,867,782
Mortgages	5,915
Real Estate	373,123,539
Receivables	91,987,716
Short Term Investments	192,171,460
Fixed Assets	116,125
Miscellaneous	8,955
Accounts Payable	(173,478,701)
Market Value of Assets – June 30, 2006	\$ 4,226,439,801

Table II-2 SDCERS – All Employers Summary of Book Value of Reserves of Total Defined Benefit Plan Assets	
Member Deposit Reserve	\$ 567,766,248
DROP Reserve	225,570,127
Employer Reserve	116,846,660
Retired Members Reserve	2,126,403,964
Undistributed Reserve	619,925,093
Encumbrance Reserve	721,973
Receivables Reserve	20,300,054
Fixed Assets Reserve	116,125
Retiree Health 401(h) Reserve	0
Supplemental COLA Reserve	17,273,016
Employee Contribution Rate Inc. Reserve	0
Other	0
Book Value of Reserves – June 30, 2006	\$ 3,694,923,260
Unrealized Appreciation	531,516,541
Market Value of Assets – June 30, 2006	\$ 4,226,439,801

SDCERS Retroactive 415 Testing for VCP (2007)

Summary Report Totals by Year

415 Limit Year	Number of Persons Per Year	415 Testing Benefit	Adjusted 415 Limit	Amount Overpaid	Overpayments Rolled Forward to 6/30/2007
1992	1	101,639.80	75,000.00	26,639.80	84,505.96
1993	2	221,312.44	188,931.00	32,381.44	95,110.58
1994	2	221,312.44	192,237.44	29,075.00	79,073.08
1995	3	372,662.21	302,506.49	70,155.72	176,664.06
1996	4	478,862.98	391,958.37	87,231.97	203,393.47
1997	7	759,567.43	661,655.69	100,739.10	217,488.17
1998	10	1,114,773.38	996,673.36	125,927.38	251,729.53
1999	11	1,214,850.34	1,087,314.84	139,792.05	258,745.45
2000	14	1,571,286.84	1,386,173.70	202,063.21	346,300.94
2001	20	2,210,206.44	1,885,426.96	351,116.59	557,178.00
2002	32	4,125,799.01	3,834,024.85	470,298.70	691,023.11
2003	41	5,282,725.41	5,333,216.90	400,340.78	530,673.75
2004	53	7,133,446.87	7,040,171.95	595,839.46	750,586.08
2005	68	9,191,694.69	8,860,414.07	959,893.30	1,118,449.65
2006	93	12,482,772.05	11,912,484.93	1,346,052.57	1,453,445.19
2007	102	13,693,639.04	13,295,096.45	1,345,659.97	1,345,659.98
Grand Total		60,176,551.37	57,443,287.00	6,283,207.04	8,160,027.00

SDCERS-CITY OF SAN DIEGO
JUNE 30, 2006 ACTUARIAL VALUATION

**SECTION III
LIABILITIES**

Table III-1a			
SDCERS - City of San Diego - Total			
Item	June 30, 2006		June 30, 2005*
Present Value of Future Benefits			
Actives	\$	3,463,425,413	\$ 3,639,468,040
Terminated Vesteds		189,840,833	135,169,560
Disabled		371,327,233	344,346,695
Retirees		2,335,419,143	1,737,804,362
Beneficiaries		115,456,455	101,112,062
Total City	\$	6,475,469,077	\$ 5,957,900,719
Actuarial Liability - PUC			
Actives	\$	1,970,655,791	\$ 2,058,660,269
Terminated Vesteds		189,840,833	135,169,560
Disabled		371,327,233	344,346,695
Retirees		2,335,419,143	1,737,804,362
Beneficiaries		115,456,455	101,112,062
Total City	\$	4,982,699,455	\$ 4,377,092,948
Market Value of Assets	\$	3,981,931,694	\$ 3,205,721,975
Actuarial Value of Assets	\$	3,981,931,694	\$ 2,983,079,852
Unfunded Actuarial Liability	\$	1,000,767,761	\$ 1,394,013,096
Actuarial Liability - EAN			
Total Present Value of Benefits	\$	6,475,469,077	\$ 5,957,900,719
Present Value of Future Normal Costs			
Employer Portion		705,063,836	743,299,479
Employee Portion		578,443,905	612,559,471
Actuarial Liability - EAN	\$	5,191,961,336	\$ 4,602,041,768
Actuarial Value of Assets	\$	3,981,931,694	\$ 2,983,079,852
Unfunded EAN Actuarial Liability	\$	1,210,029,642	\$ 1,618,961,916

* The June 30, 2005 results do not reflect the contingent liabilities, DROP reserves, supplemental COLA reserves, nor did it apply IRC section 415.

San Diego City Employees' Retirement System
Funding Process Indicators - Historic Comparison

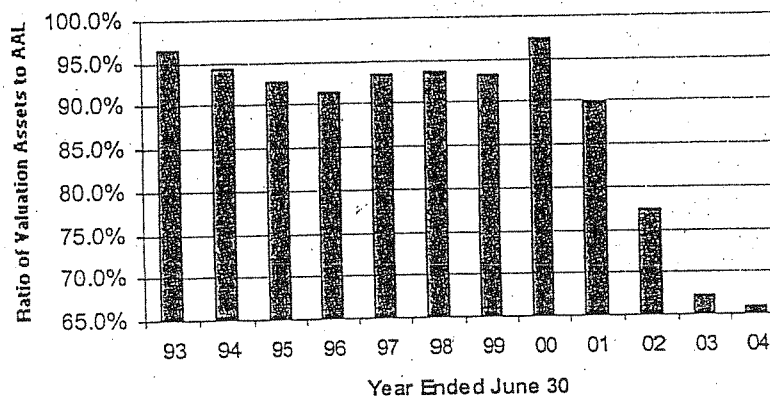
(\$ in Thousands)

Valuation Date	Valuation Assets	Continuation Indicators				
		AAL	Funded Ratio	UAAL	Member Payroll	Ratio to Payroll
6/30/93	\$1,137,019	\$1,178,311	96.5%	\$41,292	\$320,624	12.9%
6/30/94 ¹	\$1,216,063	\$1,290,927	94.2%	\$74,864	\$338,440	22.1%
6/30/95	\$1,316,903	\$1,421,150	92.7%	\$104,247	\$350,584	29.7%
6/30/96 ²	\$1,480,772	\$1,620,373	91.4%	\$139,602	\$365,089	38.2%
6/30/97	\$1,632,361	\$1,748,868	93.3%	\$116,507	\$382,715	30.4%
6/30/98 ¹	\$1,852,151	\$1,979,668	93.6%	\$127,517	\$399,035	32.0%
6/30/99	\$2,033,153	\$2,181,547	93.2%	\$148,394	\$424,516	35.0%
6/30/00	\$2,459,815	\$2,343,400	105.0%	(\$116,414)	\$448,502	(26.0)%
6/30/00 ³	\$2,459,815	\$2,528,774	97.3%	\$68,959	\$448,502	15.4%
6/30/01	\$2,525,645	\$2,809,538	89.9%	\$283,893	\$481,864	58.9%
6/30/02	\$2,448,208	\$3,168,921	77.3%	\$720,713	\$535,157	134.7%
6/30/03	\$2,375,431	\$3,484,832	68.2%	\$1,109,401	\$533,595	207.9%
6/30/03 ⁴	\$2,375,431	\$3,532,626	67.2%	\$1,157,194	\$533,595	216.9%
6/30/04	\$2,628,680	\$3,962,237	66.3%	\$1,333,557	\$540,181	246.9%
6/30/04 ⁵	\$2,628,680	\$3,997,328	65.8%	\$1,368,648	\$540,181	253.4%

AAL - Actuarial Accrued Liability

UAAL - Unfunded Actuarial Accrued Liability

Historic Comparison of Funded Ratio



¹ Reflects revised actuarial and economic assumptions

² Reflects Manager's Proposal

³ Reflects Corbett non-contingent benefit increases

⁴ Includes change in benefits for General Members

⁵ Reflects revised actuarial assumptions

SDCERS CONTRIBUTION SCHEDULE AND SETTLEMENT AMOUNTS

ARC is for Fiscal Year	Valuation Report Date	Prepared By	ARC Amount	Payment Dates	Amount Paid to Date	Amounts Due from City per IRS (Amounts Due Established Per IRS Settlement)	Amount Paid Over the ARC Since 7/12/05
7/1/2005 to 6/30/2006 Extra City Contribution Received	6/30/2004	GRS (Note: Cheiron replicated numbers)	\$156.0 M	7/1/2005 6/22/2006	\$163.0 M \$100.0 M	(Note: Initial IRS filing made 7/12/05. Additional filings proposing additional City contributions made 4/19/06, 5/9/06, 6/7/06, 6/13/06, 6/19/06, and 6/22/06.) *	
Extra City Contribution Received				6/29/2006	\$8,298,430	401(h) for First Period: \$31,618,356 Retiree Health Administrative Expenses: \$2,211,895 10% Disability Overpayment: \$1,221,543	\$108,298,430**
7/1/2006 to 6/30/2007 Extra City Contribution Received	6/30/2005	Cheiron	\$162.0 M	7/1/2006 6/29/07	\$162.0 M \$6.2 M	(Note: IRS filing on 415 made 8/6/06) *** 415 Excess Benefits: \$8,160,027	\$7,008,977
Extra City Contribution Received				6/30/07	\$808,977		
7/1/2007 to 6/30/2008 Extra City Contribution Received	6/30/2006	Cheiron	\$137.7 M	7/2/2007 7/2/2007	\$137.7 M \$27,334,773		\$27,334,773
GRAND TOTALS			\$455,700,000		\$605,342,180	\$43,211,821	\$142,642,180

* Settlement amounts in this group calculated as of June 30, 2006. Includes interest at 8% to June 30, 2006.

** Did not include difference between \$163 and \$156 M since paid 7/1/05 prior to first filing with IRS on 7/12/05.

*** Settlement amounts calculated as of June 30, 2007. Includes interest at 8% to June 30, 2007.

1/1994231.1

August 20, 2007

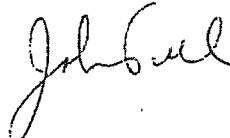
Exhibit J

CITY of SAN DIEGO

MEMORANDUM

DATE : July 5, 2005

TO : Larry Grissom, SDCERS Retirement Administrator

FROM : John Torell, Auditor and Comptroller
Lisa Irvine, Deputy City Manager 

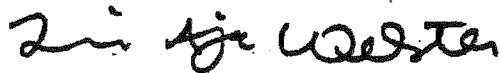
SUBJECT : Employer Retirement Contribution Prepayment -Transfer on July 1, 2005

This is to inform you that on July 1, 2005 the City transferred **\$163,000,000** to the City Employees' Retirement System (CERS) Trust Fund. This transfer is made up of a calculated advance contribution of \$156,000,000 (which includes an estimated amount for Corbett amortization) for FY2006 and \$7,000,000 as additional contribution towards the unfunded actuarial liability. Attached is the spreadsheet for the calculated advance.

CITY OF SAN DIEGO
MEMORANDUM

DATE: June 28, 2004
TO: San Diego City Employees' Retirement Board
FROM: Terri Aja Webster, Acting Auditor and Comptroller
SUBJECT: Transfer on July 1, 2004

This is to inform you that on July 1, 2004 the City will transfer **\$130,000,000** to the City Employees' Retirement Systems (CERS) Trust Fund as the calculated advance of employer contributions for Fiscal Year 2005.

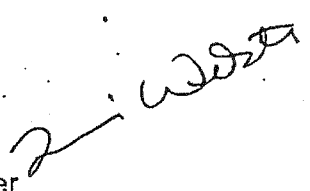


TERRI AJA WEBSTER

TAW:CSP:met

CITY of SAN DIEGO
MEMORANDUM

DATE : June 27, 2003
TO : San Diego City Employee Retirement Board
FROM : Terri Aja Webster, Assistant Auditor and Comptroller
SUBJECT : Transfer on July 1, 2003



This is to inform you that on July 1, 2003 the City will transfer **\$80,937,000** to the City Employees' Retirement System (CERS) Trust Fund as the calculated advance contributions for FY2004.

CITY of SAN DIEGO

MEMORANDUM

FILE NO.: HCARE401

DATE : June 28, 2002

TO : San Diego City Employee Retirement Board

FROM : Terri Aja Webster, Assistant Auditor and Comptroller *Terri*

SUBJECT : Transfer on July 1, 2002

This is to inform you that on July 1, 2002 the City will make the following transfers.

1. Calculated advance contributions of \$54,306,000.00 to the City Employees' Retirement System (CERS) Trust Fund for FY2003.
2. As required by the San Diego Municipal Code Section 24.1203(b)(5) \$14,317,073 of the above amount was credited to the account 8720 'Reserve for Post Retirement Health Care 401(h)' which is to be solely used for health benefits.

54,306,000
14,317,073
39,988,927

CITY of SAN DIEGO
MEMORANDUM

LE NO.: HCARE401

TE : June 30, 2001

: San Diego City Employee Retirement Board

OM : Terri Aja Webster, Assistant Auditor and Comptroller *zi*

BJECT : Transfer on July 2, 2001

This is to inform you that on July 2, 2001 the City will make the following transfers.

1. Calculated advance contributions of \$48,026,000.00 to the City Employees' Retirement System (CERS) Trust Fund for FY2002.
2. As required by the San Diego Municipal Code Section 24.1203(b) (5) \$12,771,254.00 of the above amount was credited to the account 8720 'Reserve for Post Retirement Health Care 401(h)' which is to be solely used for health benefits.

48 026 000
< 12 771 254 >
35,254,746

CITY of SAN DIEGO
MEMORANDUM

FILE NO.: HCARE401
DATE : June 30, 2000
TO : San Diego City Employee Retirement Board
FROM : Terri Aja Webster, Assistant Auditor and Comptroller
SUBJECT : Transfer on July 3, 2000

This is to inform you that on July 3, 2000 the City will make the following transfers.

1. Calculated advance contributions of \$42,801,000.00 to the City Employees' Retirement System (CERS) Trust Fund for FY2001.
2. As required by the San Diego Municipal Code Section 24.1203(b)(5) \$11,374,263.00 of the above amount was credited to the account 8720 Reserve for Post Retirement Health Care 401(h) which is to be solely used for health benefits.

① $\left\{ \begin{array}{l} 20001 - \text{cash out of city to be invested.} \\ 20002 - \text{cash to Ret for diff funds} \end{array} \right.$
② 20267 "J" 7/10/00

42,801,000
 $\left\langle 11,374,263 \right\rangle$

31,426,737

CITY of SAN DIEGO
MEMORANDUM

FILE NO.: HCARE401
DATE : June 25, 1999
TO : San Diego City Employee Retirement Board
FROM : Terri Aja Webster, Assistant Auditor and Comptroller
SUBJECT : Transfer on July 1, 1999

This is to inform you that on July 1, 1999 the City will make the following transfers.

1. Calculated advance contributions of \$38,908,000.00 to the City Employees' Retirement System (CERS) Trust Fund for FY2000.
2. As required by the San Diego Municipal Code Section 24.1203(b)(5) \$9,000,000.00 of the above amount was credited to the account 8720 Reserve for Post Retirement Health Care 401(h) which is to be solely used for health benefits.

38 908 000
< 9 000 000 >

29,908,000

Executive Summary

City Budget Overview

The City of San Diego's Fiscal Year 2008 Annual Budget of \$2.92 billion is comprised of six main funds: the General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Improvements Program Funds, Enterprise Funds, and Internal Service Funds. **Table 1** shows the change in funding from Fiscal Year 2007 to Fiscal Year 2008 by fund.

TABLE 1 TOTAL CITY FUND CHANGES FY 2007-2008				
FUND TYPE	FY 2007 BUDGET	FY 2008 BUDGET	CHANGE	
General Fund	\$ 1,021,203,098	\$ 1,106,330,952	\$ 85,127,854	8.3%
Debt Service Funds	\$ 12,136,700	\$ 16,384,472	\$ 4,247,772	35.0%
Special Revenue Funds	\$ 242,930,505	\$ 247,057,937	\$ 4,127,432	1.7%
Enterprise Funds	\$ 839,812,640	\$ 856,744,292	\$ 16,931,652	2.0%
Internal Service Funds	\$ 106,664,199	\$ 155,249,532	\$ 48,585,333	45.5%
Capital Improvements Program	\$ 293,671,493	\$ 491,636,238	\$ 197,964,745	67.4%
Other Funds	\$ 39,908,893	\$ 42,637,236	\$ 2,728,343	6.8%
TOTAL	\$ 2,556,327,528	\$ 2,916,040,659	\$ 359,713,131	14.1%

Citywide Personnel Reductions

The Fiscal Year 2008 Annual Budget reflects a total reduction of 629.71 Full-Time Equivalent (FTE) positions in the City, from 11,416.35 positions in Fiscal Year 2007 to 10,786.64 positions in Fiscal Year 2008. The Fiscal Year 2008 Proposed Budget included the elimination of 671.53 FTE positions, however, the Fiscal Year 2008 Budget deliberations resulted in 41.82 positions being added with a total net reduction of 629.71 FTE positions. The net position reduction is a combination of vacancy reductions, streamlining, Business Process Reengineering (BPR), and Council recommendations. The cost of these positions has been removed from the Fiscal Year 2008 Annual Budget.

General Fund

Departments within the General Fund provide core community services such as public safety (including police and fire protection), parks and recreation, library services, and refuse collection as well as vital support functions such as finance and human resources. These core services are primarily supported by major revenue sources that include property tax, sales tax, transient occupancy tax, and franchise fees.

The City's Fiscal Year 2008 Annual Budget reflects General Fund revenues and expenditures totaling \$1.11 billion, representing an increase of \$85.1 million, or an 8.3 percent increase over the Fiscal Year 2007 Annual Budget. The Fiscal Year 2008 Annual General Fund budget includes 7,257.93 budgeted positions, a decrease of 259.69 positions from the Fiscal Year 2007 Annual Budget.

Executive Summary

The City of San Diego's balanced budget for Fiscal Year 2007 reflects revenues and expenditures totaling \$2.556 billion, representing an increase of \$3.5 million over Fiscal Year 2006. The 2007 Budget includes 11,416.35 budgeted positions, an increase of 558.58 positions over the Fiscal Year 2006 Annual Budget. The increase in positions includes 430.31 positions not previously budgeted although these positions were filled in fiscal year 2006 with active employees providing services to the City. These previously unbudgeted positions are referred to as "supplemental positions."

Adding supplemental positions to the Fiscal Year 2007 Budget illustrates a core budget initiative for Fiscal Year 2007: transparency in budgeting. In addition, as part of the budget transparency effort, several City departments and programs became part of the General Fund in fiscal year 2007. This section outlines the transparency adjustments and the actual growth to the General Fund in new expenditures.

The total City Fiscal Year 2007 Annual Budget of \$2.556 billion is comprised of six main revenue funds: the General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Improvements Program Funds, Enterprise Funds, and Internal Service Funds.

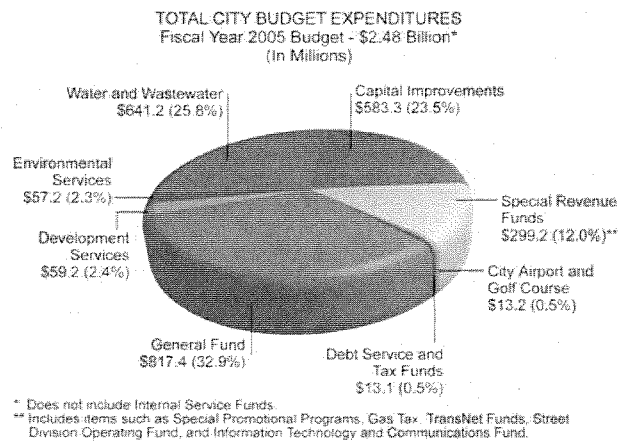
The General Fund reflects the largest increase from the Fiscal Year 2006 Annual Budget, due to the inclusion of supplemental positions and the reorganization of City departments. The decrease in the Fiscal Year 2007 Capital Improvement budget is primarily due to the City's inability to access the public bond market.

Table 1 shows the change in funding from Fiscal Year 2006 to Fiscal Year 2007 by fund.

TABLE 1 TOTAL CITY FUND CHANGES				
FUND TYPE	FY 2006 BUDGET		FY 2007 BUDGET	CHANGE
General Fund	\$	864,919,912	\$ 1,021,203,098	\$ 156,283,186
Debt Service Funds	\$	11,101,202	\$ 12,136,700	\$ 1,035,498
Special Revenue Funds	\$	308,157,337	\$ 242,930,505	\$ (65,226,832)
Enterprise Funds	\$	832,616,481	\$ 839,812,640	\$ 7,196,159
Internal Service Funds	\$	112,437,357	\$ 106,664,199	\$ (5,773,158)
Capital Improvements Program	\$	389,648,808	\$ 293,671,493	\$ (95,977,315)
Other Funds	\$	33,931,709	\$ 39,908,893	\$ 5,977,184
TOTAL	\$	2,552,812,806	\$ 2,556,327,528	\$ 3,514,722

Executive Summary

The Annual Fiscal Year 2005 Budget was developed by utilizing forecasted revenue increases as a result of growth, new fees and one time revenues to fund the increased cost of operations. These increased costs resulted from contracted salaries, retirement system contributions, inflationary adjustments, and new facilities. Then, core priorities – mainly public safety – were increased, while non-public safety services were reduced until a balanced budget was achieved. These efforts resulted in a total combined Annual Fiscal Year 2005 Budget of \$2.48 billion.



Fiscal Year 2005 Total City Budget

Revenues and Expenditures

The City of San Diego's Total Combined Annual Fiscal Year 2005 Budget reflects revenues and expenditures equaling \$2.48 billion.

Five types of revenue funds compose the majority of the Annual Fiscal Year 2005 Budget: General Fund, Enterprise Funds, Capital Improvement Funds, Special Revenue Funds, and Debt Service and Tax Funds. The following chart shows a specific breakdown of funds:

Total City Fund Changes

	FY 2005 Annual	Change from FY 2004
General Fund	\$ 817,432,989	\$ 74,419,720
Enterprise Funds	\$ 770,908,349	\$ 12,324,958
Capital Improvement Funds	\$ 583,292,351	\$ 115,725,115
Special Revenue Funds	\$ 299,230,959	\$ 11,452,903
Debt Service and Tax Funds	\$ 13,136,972	\$ 2,354,788
TOTAL	\$2,484,001,620	\$ 216,277,484

Executive Summary

Improvement Funds and Debt Service and Tax Funds. The breakdown among funds (including the change from the Fiscal Year 2003 Annual Budget) is as follows:

Major Expenditure Category	FY 2004 Annual Budget	Change from FY 2003
General Fund	\$ 743,013,269	\$ 13,682,747
Enterprise Funds	\$ 758,583,391	\$ 78,269,120
Capital Improvement Funds	\$ 467,567,236	\$ 56,166,815
Special Revenue Funds	\$ 287,778,056	(\$ 643,483)
Debt Service and Tax Funds	\$ 10,782,184	(\$ 207,905)
TOTAL	\$2,267,724,136	\$147,267,294

Personnel Resources

The Annual Fiscal Year 2004 Budget includes a total of 11,269.03 positions. The General Fund is comprised of 7,042.54 positions. The number of positions budgeted in Special Revenue Fund departments is 701.26. Positions budgeted in Enterprise Funds equal 2,901.68, with 860.74 budgeted in the Water Department and 1,054.72 in the Metropolitan Wastewater Department. The remaining 623.55 positions are budgeted in other departments and programs. Specific detail on position adjustments is included in the Budget Summary Schedule II in the Financial Summary section and in the respective department detail in Volumes II and III.

Total City Position Changes

	FY 2003	Annual FY 2004	Change
Total General Fund	7,171.55	7,042.54 ⁽¹⁾	(129.01)
Total Special Revenue Funds	636.11	701.26 ⁽¹⁾	65.15
Total Sewer Funds	1,058.72	1,054.72	(4.00)
Total Water Funds	855.74	860.74	5.00
Total Other Enterprise Funds	893.22	986.22 ⁽²⁾	93.00
Total Internal Service Funds	549.81	548.80	(1.01)
Total Other Funds	70.64	74.75	4.11
Total Budgeted Positions	11,235.79	11,269.03	33.24

⁽¹⁾ Reflects Information Technology and Communications (IT&C) Department transfer between General Fund and Special Revenue Funds.

⁽²⁾ Reflects Development Services Department Fee Study Impact, 79.00 FTE were added.

Executive Summary

Major Expenditure Category	FY 2003 Budget	Change from FY 2002
General Fund	\$ 729,330,522	\$ 1,970,089
Enterprise Funds	\$ 680,314,271	\$ 16,187,685
Capital Improvement Funds	\$ 411,400,421	\$ (271,228,404) ⁽¹⁾
Special Revenue Funds	\$ 288,421,539	\$ (2,903,189)
Debt Service and Tax Funds	\$ 10,990,089	\$ (858,634)
TOTAL	\$ 2,120,456,842⁽²⁾	\$ (256,832,453)

(1) The majority of this reduction is attributable to the Ballpark Project Financing which was budgeted in Fiscal Year 2002

(2) Includes \$169,317,997 of interfund transactions

General Fund

General Fund monies are used to pay for core City services such as public safety, parks and recreation, refuse collection, street maintenance, and libraries. The revenues to pay for these services are comprised of tax dollars, such as Property Tax and Sales Tax, but also include fees from licenses and permits, fines, interest earnings on investments, and a variety of other sources. The Annual Fiscal Year 2003 Budget for the General Fund is \$729.3 million.

Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. Examples of these funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling. Typically these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Annual Fiscal Year 2003 Budget for Enterprise Funds is \$680.3 million.

Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. Examples include TransNet, Gas Tax, and Transient Occupancy Tax Funds. The Annual Fiscal Year 2003 Budget for Special Revenue Funds is \$288.4 million.

Capital Improvement Funds

Capital Improvement Funds support construction projects such as the development of park land, the construction of a sewer pump plant, the installation of a traffic signal, or the construction or remodeling of a City facility. These monies are derived from sources such as water and sewer fees, a half-cent local Sales Tax for transportation improvements, developer impact fees, grant funds, and/or the issuance of bonds or commercial paper for very large projects. The Annual Fiscal Year 2003 Budget for Capital Improvement Funds is \$411.4 million. Additional information regarding the Capital Improvements Program is discussed in the City Funds section of this volume.

EXECUTIVE SUMMARY

The Annual Fiscal Year 2002 Budget is nearly \$2.4 billion. The breakdown between funds (including the change from Fiscal Year 2001 budget) is as follows:

Major Expenditure Category	FY 2002 Budget	Change from FY 2001
General Fund	\$ 727,360,433	\$ 52,556,922
Enterprise Funds	664,126,586	32,387,677
Debt Service and Tax Funds	11,848,723	305,391
Special Revenue Funds	288,311,020	33,495,882
Capital Improvements Funds	682,628,825	(86,360,389)
TOTAL	\$ 2,374,275,587	\$ 32,385,483

GENERAL FUND

General Fund monies are used to pay for core City services such as public safety, parks and recreation, refuse collection, street maintenance, and libraries. The revenues to pay for these services are comprised of tax dollars, such as Property Taxes and Sales Taxes, but also include fees from licenses and permits, fines, interest earnings on investments, and a variety of other sources. The Fiscal Year 2002 Annual Budget for the General Fund is \$727.4 million.

ENTERPRISE FUNDS

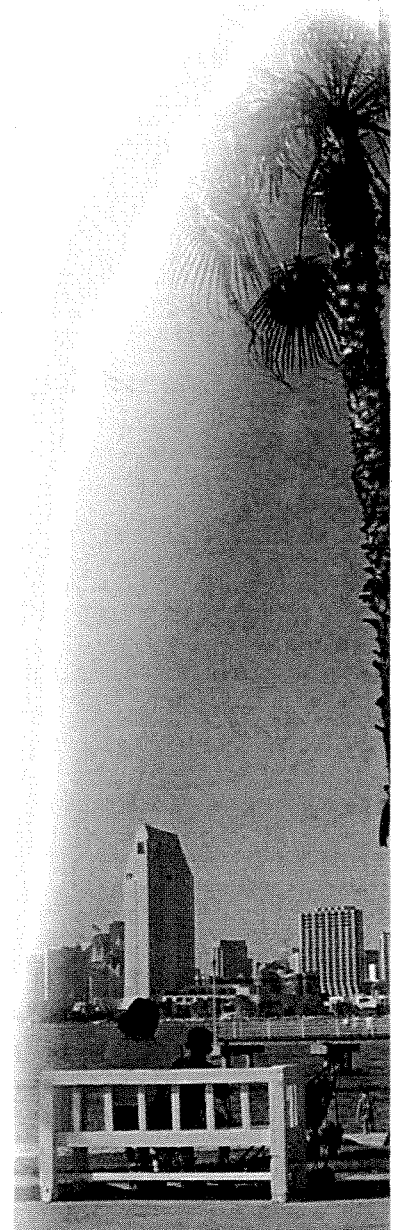
Enterprise Funds account for specific services that are funded directly through user fees. Examples of these funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling. Typically these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2002 Annual Budget for Enterprise Funds is \$664.1 million.

SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues that are received for specifically identified purposes. Examples include TransNet, Gas Tax, and Transient Occupancy Tax Funds. The Fiscal Year 2002 Annual Budget for Special Revenue Funds is \$288.3 million.

CAPITAL IMPROVEMENTS FUNDS

Capital Improvements Funds support construction projects such as the development of park land, the construction of a sewer pump plant, the installation of a traffic signal, or the construction or remodeling of a city facility. These monies are derived from sources such as water and sewer fees, a half-cent local Sales Tax for transportation improvements, developer impact fees, grant funds, and/or the issuance of bonds or commercial paper for very large projects. The Fiscal Year 2002 Annual Budget for Capital Improvements Funds is \$682.6 million.



City Manager's Budget Message

General Fund Operating Expenditures

The City's budget is financed by the use of various types of funds for its operations. Outlined below is a summary of these major expenditures with the General Fund highlighted:

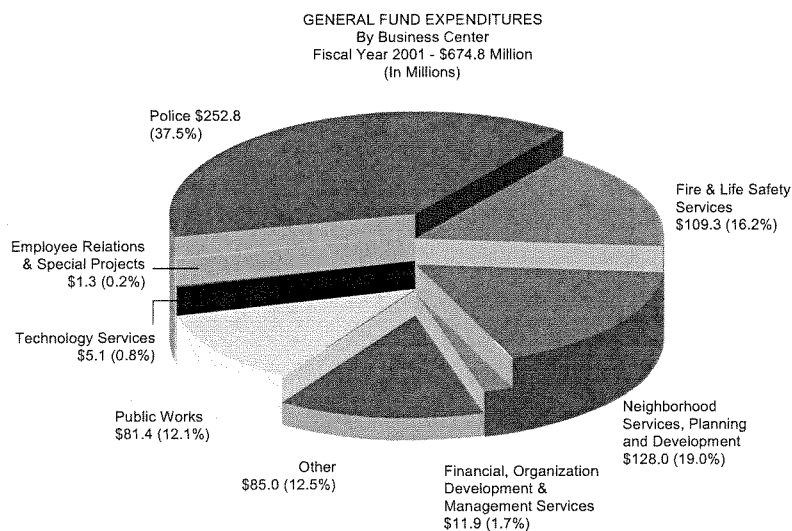
MAJOR EXPENDITURE CATEGORY	FY 2001 Budget	Change from FY 2000	FY 2001 Positions	FY 2001 Change from FY 2000
General Fund	\$674,803,511	+\$56,598,640	6,823.95	+173.95
Enterprise Fund	631,738,909	56,900,395	2,590.45	+130.90
Debt Service/ Tax Funds	11,534,332	+11,438	0.00	0.00
Special Revenue Funds	254,815,138	+6,164,669	580.97	10.27
Capital Improvements	768,989,214	+18,477,643	0.00	0.00
Other Funds ⁽¹⁾	0	0	605.26 ⁽²⁾	59.09
TOTAL⁽³⁾	\$2,341,890,104	\$138,152,785	10,600.63	374.21

(1) Other funds include grant funds not previously budgeted.

(2) Costs for these positions are included in other funds listed above.

(3) Includes \$174,333,254 of interfund transactions.

The Fiscal Year 2001 General Fund expenditure budget totals \$674,803,511 and includes 6,823.95 positions. This represents an increase of \$56,598,640 and 173.95 positions. As shown by business center in the accompanying chart, more than half of the General Fund Budget is allocated to public safety expenditures.



City Manager's Budget Message

Shown here are the growth rates for Fiscal Year 1999 and the growth rates for the major General Fund revenues in Fiscal Year 2000.

MAJOR GENERAL FUND REVENUE SOURCES	Fiscal Year 1999 Budget Growth Rate	Fiscal Year 2000 Budget Growth Rate
Property Tax	8.00%	11.00%
Sales Tax	6.00%	6.00%
Transient Occupancy Tax	8.00%	8.00% +
Motor Vehicle License Fees	4.00%	4.00%

General Fund Operating Expenditures

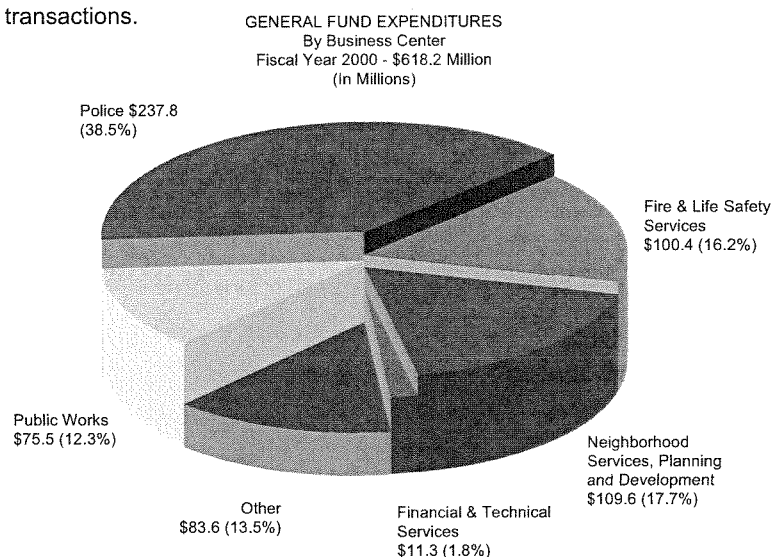
The City's budget is financed by the use of various types of funds for its operations. Outlined below is a summary of these major expenditures with the General Fund highlighted:

MAJOR EXPENDITURE CATEGORY	FY 2000 Budget	Change from FY 1999	FY 2000 Positions	FY 2000 Change from FY 1999
General Fund	\$618,204,871	+\$42,127,120	6,650.00	+83.64
Enterprise Funds	574,838,514	+60,042,672	2,459.55	+28.50
Debt Service/Tax Funds	11,531,894	+753,690	—	—
Special Revenue Funds	248,650,469	+28,142,480	570.70	+38.41
Capital Improvements	750,511,571	+364,350,038	—	—
Other Funds	(1)	(1)	546.17	-7.16
Total⁽²⁾	\$2,203,737,319	+\$631,646,329	10,226.42	143.39

(1) Costs for these programs are included in other funds outlined above.

(2) Includes \$166,411,928 in interfund transactions.

The Fiscal Year 2000 General Fund expenditure budget totals \$618.2 and includes 6,650.00 positions. This represents an increase of \$42.1 million, and 83.64 positions. As shown by business center in the accompanying chart, more than half of the General Fund Budget is allocated to public safety expenditures.



Financial Section

San Diego City Employees' Retirement System Statements of Plan Net Assets June 30, 2005 and June 30, 2004

	2005		2004	
	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan
ASSETS				
Cash and Cash Equivalents				
Cash or Equity in Pooled Cash and Investments with the City of San Diego	\$2,173,813	-	\$3,642,648	-
Cash and Cash Equivalents on Deposit with Custodial Bank and Fiscal Agents	438,782,019	-	340,208,577	-
Pooled Investments	-	-	(9,136,409)	\$9,136,409
Total Cash and Cash Equivalents	440,955,832	-	334,714,816	9,136,409
Receivables				
Plan Sponsors' and Members' Contributions	13,318,684	-	9,743,298	-
Members' - Purchased Service Contracts	23,214,041	-	22,604,172	-
Accrued Interest Receivable	12,477,254	-	10,889,543	-
Securities Sold	85,818,964	-	44,965,113	-
Total Receivables	134,828,943	-	88,202,126	-
Investments, at Fair Value				
Short-Term Investments	148,312,263	-	214,401,018	-
Domestic Fixed Income Securities	650,394,370	-	468,962,285	-
International Fixed Income Securities	166,571,754	-	148,758,686	-
Domestic Equity Securities	1,408,072,427	-	1,296,359,749	-
International Equity Securities	580,214,627	-	531,526,719	-
Mortgages	9,154	-	17,022	-
Directly-Owned Real Estate Assets and Real Estate Equity Securities	317,941,072	-	277,668,908	-
Total Investments	3,271,515,667	-	2,937,694,387	-
Securities Lending Cash Collateral	434,363,945	-	319,748,403	-
Total Investments Including Securities Lending Cash Collateral	3,705,879,612	-	3,257,442,790	-
Prepaid Expenses	300	-	2,522	-
Properties at Cost, Net of Accumulated Depreciation of \$253,787 and \$204,218, Respectively	141,380	-	190,949	-
TOTAL ASSETS	\$4,281,806,067	-	\$3,680,553,203	\$9,136,409
LIABILITIES				
Accounts Payable	\$461,515	-	\$438,653	-
Investment Related Fees Payable	3,846,249	-	3,482,179	\$18,202
Litigation Settlement Payable	-	-	1,249,292	-
Accrued Wages and Benefits	702,742	-	621,330	17,874
DROP Program Liability	228,511,194	-	185,107,857	-
Pension Liability	600,004	-	584,382	16,811
Securities Purchased	161,568,431	-	85,658,151	-
Securities Lending Obligations for Cash Collateral	434,363,945	-	319,748,403	-
TOTAL LIABILITIES	\$830,054,080	-	\$596,890,247	\$52,887

NET ASSETS HELD IN TRUST FOR PAYMENT OF PENSION AND POST-EMPLOYMENT HEALTHCARE BENEFITS

(A Schedule of Funding Progress for each plan sponsor is presented in the Required Supplementary Information section, which follows the Notes to the Financial Statements.)

\$3,451,751,987	-	\$3,083,662,956	\$9,083,522
-----------------	---	-----------------	-------------

For a full understanding of the Statements of Plan Net Assets, please see the accompanying Notes to the Financial Statements. A Schedule of Funding Progress for each plan sponsor is presented in the Required Supplementary Information section.

San Diego City Employees' Retirement System
 Statements of Changes in Plan Net Assets
 June 30, 2005 and June 30, 2004

	2005		2004	
	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan
ADDITIONS				
Contributions				
City of San Diego (City)				
Plan Sponsor	\$130,000,000	-	\$81,832,070	-
Members' Portion Paid by Plan Sponsor	29,893,945	-	30,204,840	-
Members'	17,123,839	-	14,179,107	-
Members' for Purchased Service	45,703,461	-	72,956,979	-
Total City Contributions	222,721,245	-	199,172,996	-
Unified Port of San Diego (Port)				
Plan Sponsor	7,613,081	-	4,594,580	-
Members' Portion Paid by Plan Sponsor	2,762,902	-	2,692,191	-
Members'	1,174,034	-	1,639,724	-
Members' for Purchased Service	2,716,550	-	1,975,378	-
Total Port Contributions	14,266,567	-	10,901,873	-
San Diego County Regional Airport Authority (Airport)				
Plan Sponsor	7,625,052	-	1,435,000	-
Members' Portion Paid by Plan Sponsor	1,331,600	-	1,054,396	-
Members'	562,107	-	480,815	-
Members' for Purchased Service	919,087	-	487,619	-
Total Airport Contributions	10,437,846	-	3,457,830	-
Earned Interest on Purchased Service Installment Contracts	1,583,235	-	907,814	-
Total Contributions	249,008,893	-	214,440,513	-
Investment Earnings				
Net Appreciation in Fair Value of Investments				
Equity (Stocks)	185,752,215	-	422,170,111	-
Fixed Income (Bonds)	27,835,694	-	8,255,601	-
Mortgages	-	-	3,462	-
Real Estate Equity and Real Estate Securities (Stocks)	51,956,089	-	39,334,565	-
Commingled Net Appreciation	-	-	(453,955)	\$453,955
Total Net Appreciation (Depreciation) in Fair Value of Investments	265,543,998	-	469,309,784	453,955
Investment Income				
Equity (Stocks) - Dividends, Litigation Settlements	44,727,630	-	35,795,193	-
Fixed Income (Bonds) - Interest	44,066,392	-	34,929,745	-
Mortgages - Income	1,110	-	52,221	-
Real Estate - Income	11,302,610	-	10,636,311	-
Total Investment Income	100,097,742	-	81,413,470	-
Less Investment Expenses	(16,330,752)	-	(14,781,389)	(77,846)
Total Net Investment Income	349,310,988	-	535,941,865	376,109
Securities Lending Income				
Gross Earnings	8,045,405	-	3,410,299	-
Borrower Rebates	(6,814,663)	-	(2,168,167)	-
Administrative Expenses (Lending Agent)	(332,244)	-	(363,934)	-
Net Securities Lending Income	898,498	-	878,198	-
Total Net Investment Earnings	350,209,486	-	536,820,063	376,109
TOTAL ADDITIONS	\$599,218,379	-	\$751,260,576	\$376,109

NON-
CASH

CASH

Financial Section

San Diego City Employees' Retirement System Statements of Changes in Plan Net Assets (continued) June 30, 2005 and June 30, 2004

	2005		2004	
	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan
DEDUCTIONS				
Benefit Payments				
Monthly Retirement and Disability Allowances	\$184,386,028	-	\$161,056,037	-
Healthcare Benefit Payments	-	\$7,910,366	-	\$12,829,903
Corbett Benefit Payments	16,023,644	-	-	-
Death Benefit Payments	597,142	-	602,603	-
Total Benefit Payments	201,006,814	7,910,366	161,658,640	12,829,903
Refunds of Members' Contributions	2,802,986	-	2,108,909	-
Administrative Expenses	11,960,392	-	9,888,752	274,511
DROP Program Interest Expenses	16,520,216	-	12,735,149	-
Litigation Settlement Expense	-	-	1,249,292	-
Allowance for Uncollectable Purchased Service Payments	12,096	-	244,704	-
TOTAL DEDUCTIONS	\$232,302,504	\$7,910,366	\$187,885,446	\$13,104,414
NET ASSETS HELD IN TRUST FOR PAYMENT OF PENSION AND POST-EMPLOYMENT HEALTHCARE BENEFITS				
BEGINNING OF YEAR	\$3,083,662,956	\$9,083,522	\$2,520,287,826	\$21,811,827
Transfer of Plan Net Assets	1,173,156	(1,173,156)	-	-
NET INCREASE (DECREASE)	366,915,875	(7,910,366)	563,375,130	(12,728,305)
END OF YEAR	\$3,451,751,987	-	\$3,083,662,956	\$9,083,522

For a more complete understanding of the Statements of Changes in Plan Net Assets, please see the accompanying Notes to the Financial Statements.

SAN DIEGO EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS

For the Years Ended June 30, 2004 and June 30, 2003

	2004		2003	
	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan
ASSETS				
Cash and Cash Equivalents				
Cash or Equity in Pooled Cash and Investments with the City of San Diego	\$3,642,648	-	\$3,044,096	-
Cash on Deposit with Custodial Bank and Fiscal Agents	302,744,374	-	230,806,228	-
Cash Equivalents on Deposit with Custodial Bank	37,464,203		78,194,214	
Pooled Investments	(9,136,409)	\$9,136,409	(21,867,112)	\$21,867,112
Total Cash and Cash Equivalents	334,714,816	9,136,409	290,177,426	21,867,112
Receivables				
Plan Sponsors' (Employers') and Members' (Employees') Contributions	9,743,298		6,477,813	
Members' (Employees') - Purchased Service Payments	22,604,172		10,614,307	
Accrued Interest Receivable	10,773,396		9,267,520	
Accrued Interest on Investments Purchased	116,147		130,083	
Securities Sold	44,965,113		50,803,727	
Total Receivables	88,202,126	-	77,293,450	-
Investments, at Fair Value				
Short-Term Investments	214,401,018		70,934,651	
Domestic Fixed Income Securities	468,962,285		465,657,992	
International Fixed Income Securities	148,758,686		118,326,432	
Domestic Equity Securities	1,296,359,749		1,122,227,510	
International Equity Securities	531,526,719		382,783,361	
Mortgages	17,022		668,621	
Directly-Owned Real Estate Assets and Real Estate Equity Securities	277,668,908		230,151,441	
Total Investments	2,937,694,387	-	2,390,750,008	-
Securities Lending Cash Collateral	319,748,403		209,549,322	
Total Investments Including Securities Lending Cash Collateral	3,257,442,790	-	2,600,299,330	-
Prepaid Expenses	2,522		53,568	
Properties at cost, net of accumulated depreciation of \$204,218 and \$128,574, respectively	190,949	-	190,984	-
TOTAL ASSETS	\$3,680,553,203	\$9,136,409	\$2,968,014,758	\$21,867,112
LIABILITIES				
Accounts Payable	\$438,653		\$330,379	
Investment Related Fees Payable	3,482,179	\$18,202	2,597,209	\$19,890
Litigation Settlement Payable	1,249,292	-	-	-
Accrued Payroll	247,111	7,109	226,313	8,264
Accrued Annual Leave and Sick Leave	374,219	10,765	322,118	11,762
DROP Program Liability	185,107,857		136,740,861	
Pension Liability	503,117	14,473	404,281	14,762
Employee Pension Liability	81,265	2,338	16,633	607
Securities Purchased	85,658,151		97,539,816	
Securities Lending Obligations for Cash Collateral	319,748,403		209,549,322	
TOTAL LIABILITIES	\$596,890,247	\$52,887	\$447,726,932	\$55,285
NET ASSETS HELD IN TRUST FOR PAYMENT OF PENSION AND POST-EMPLOYMENT HEALTHCARE BENEFITS	\$3,083,662,956	\$9,083,522	\$2,520,287,826	\$21,811,827

For a full understanding of the Statement of Plan Net Assets, please see the accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements, which follow. A Schedule of Funding Progress for each plan sponsor is presented in the Required Supplementary Information section which follows the Notes to the Financial Statements.

FINANCIAL SECTION

SAN DIEGO EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2004 and June 30, 2003

	2004		2003	
	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan
ADDITIONS				
Contributions				
City of San Diego (City)				
Plan Sponsor (Employer)	\$81,832,070		\$70,099,844	
Members' (Employees') Portion Paid by Plan Sponsor (Employer)	30,204,840		28,573,503	
Members' (Employees')	14,179,107		17,719,691	
Members' (Employees') for Purchased Service	72,956,979		40,016,896	
Total City Contributions	199,172,996	-	156,409,934	-
Unified Port of San Diego (Port)				
Plan Sponsor (Employer)	4,594,580		2,210,040	
Members' (Employees') Portion Paid by Plan Sponsor (Employer)	2,692,191		2,682,984	
Members' (Employees')	1,639,724		3,054,333	
Members' (Employees') for Purchased Service	1,975,378		-	
Total Port Contributions	10,901,873	not applicable	7,947,357	not applicable
San Diego County Regional Airport Authority (Airport)				
Plan Sponsor (Employer)	1,435,000		248,796	
Members' (Employees') Portion Paid by Plan Sponsor (Employer)	1,054,396		349,658	
Members' (Employees')	480,815		143,629	
Members' (Employees') for Purchased Service	487,619		-	
Total Airport Contributions	3,457,830	not applicable	742,083	not applicable
Earned Interest on Purchased Service Installment Contracts	907,814		477,758	
Total Contributions	214,440,513	not applicable	165,577,132	not applicable
Investment Earnings				
Net Appreciation (Depreciation) in Fair Value of Investments				
Equity (Stocks)	422,170,111	-	20,522,780	-
Fixed Income (Bonds)	8,255,601		39,613,342	
Mortgages	3,462		-	
Real Estate Equity and Real Estate Securities (Stocks)	39,334,565		(4,601,189)	
Total Net Appreciation (Depreciation) in Fair Value of Investments	469,763,739	-	55,534,933	-
Investment Income				
Equity (Stocks) - Dividends, Litigation Settlements	35,795,193		31,877,448	
Fixed Income (Bonds) - Interest	34,929,745		33,395,889	
Mortgages - Income	52,221		122,668	
Real Estate - Income	10,636,311		13,078,668	
Proportionate Share of Health Reserve Earnings	(453,955)	\$453,955	(1,587,934)	\$1,587,934
Total Investment Income	80,959,515	453,955	76,886,739	1,587,934
Less Investment Expenses	(14,781,389)	(77,846)	(11,956,062)	(92,238)
Total Net Investment Income	535,941,865	376,109	120,465,610	1,495,696
Securities Lending Income				
Gross Earnings	3,410,299		3,178,333	
Borrower Rebates	(2,168,167)		(2,089,142)	
Administrative Expenses (Lending Agent)	(363,934)		(320,945)	
Net Securities Lending Income	878,198	-	768,246	-
Total Net Investment Earnings	536,820,063	376,109	121,233,856	1,495,696
TOTAL ADDITIONS	\$751,260,576	\$376,109	\$286,810,988	\$1,495,696

SAN DIEGO EMPLOYEES' RETIREMENT SYSTEM **STATEMENT OF CHANGES IN PLAN NET ASSETS** (continued)

For the Years Ended June 30, 2004 and June 30, 2003

	2004		2003	
	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan	Defined Benefit Pension Plan	Post-Employment Healthcare Benefit Plan
DEDUCTIONS				
Benefit Payments				
Monthly Retirement and Disability Allowances	\$161,056,037		\$145,986,753	
Health Insurance Payments	-	\$12,829,903	-	\$11,450,200
Corbett / Andrecht Benefit Payments	-		1,453	
DROP Payments	-		-	
Death Benefit Payments	602,603		407,935	
Total Benefit Payments	161,658,640	12,829,903	146,396,141	11,450,200
Refunds of Members' (Employees') Contributions	2,108,909		1,378,787	
Administrative Expenses	9,888,752	274,511	7,886,427	268,778
Drop Program Interest Expense	12,735,149	-	9,218,281	-
Litigation Settlement Expense	1,249,292		-	
Allowance for Uncollectable Purchased Service Payments	244,704		68,693	
TOTAL DEDUCTIONS	\$187,885,446	\$13,104,414	\$164,948,329	\$11,718,978
NET ASSETS HELD IN TRUST FOR PAYMENT OF PENSION AND POST-EMPLOYMENT HEALTHCARE BENEFITS				
BEGINNING OF YEAR	\$2,520,287,826	\$21,811,827	\$2,412,742,240	\$17,718,036
Transfer of Plan Net Assets	-	-	(14,317,073)	14,317,073
NET INCREASE (DECREASE)	563,375,130	(12,728,305)	121,862,659	(10,223,282)
END OF YEAR	\$3,083,662,956	\$9,083,522	\$2,520,287,826	\$21,811,827

For a full understanding of this Statement of Changes in Plan Net Assets, please see the accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements, which follow.

San Diego City Employees' Retirement System
STATEMENT OF PLAN NET ASSETS
For the Years Ended June 30, 2003 and 2002

	2003	2002
ASSETS		
Cash and Cash Equivalents		
Cash or Equity in Pooled Cash and Investments		
with City of San Diego	\$3,044,096	\$2,719,260
Cash on Deposit with Custodial Bank and Fiscal Agents	230,806,228	178,172,346
Cash Equivalents on Deposit with Custodial Bank	78,194,214	62,705,187
Total Cash and Cash Equivalents	312,044,538	243,596,793
Receivables		
Employers' and Members' (Employees') Contributions	6,477,813	5,942,960
Members' (Employees') - Purchased Service Payments	9,980,112	6,577,586
Accrued Interest Receivable	9,267,520	9,743,589
Accrued Interest on Investments Purchased	130,083	1,365,282
Securities Sold	50,803,727	47,377,501
Total Receivables	76,659,255	71,006,918
Investments, at Fair Value		
Short Term Investments	70,934,651	23,004,166
Domestic Fixed Income Securities (Bonds)	465,657,992	560,284,211
International Fixed Income Securities (Bonds)	118,326,432	126,953,432
Domestic Equity Securities (Stocks)	1,122,227,510	935,859,657
International Equity Securities (Stocks)	382,783,361	379,798,539
Mortgages	668,621	1,515,530
Real Estate Equity and Real Estate Securities	230,533,485	267,069,355
Total Investments	2,391,132,052	2,294,484,890
Securities Lending Collateral	217,483,322	163,484,036
Total Investments including Securities Lending Collateral	2,608,615,374	2,457,968,926
Prepaid Expenses	53,568	1,048
Fixed Assets (at cost, net of accumulated depreciation of \$128,574 and \$184,776, respectively)	190,984	290,737
Total Assets	\$2,997,563,719	\$2,772,864,422
LIABILITIES		
Accounts Payable	330,379	296,130
Investment Related Fees Payable	2,617,099	2,644,247
Accrued Payroll	234,577	172,334
Accrued Annual Leave and Sick Leave	308,719	264,335
Pension Liability	0	99,064
Securities Lending Obligations	217,483,322	163,484,036
Securities Purchased	97,539,816	78,444,557
Total Liabilities	\$318,513,912	\$245,404,703
Net Assets Held in Trust for the Payment of Benefits	\$2,679,049,807	\$2,527,459,719

See accompanying Notes to the Financial Statements.

A Schedule of Funding Progress for each plan sponsor is presented in the Notes to the Financial Statements.

San Diego City Employees' Retirement System**STATEMENT OF CHANGES IN PLAN NET ASSETS**

For the Years Ended June 30, 2003 and 2002

	2003	2002
ADDITIONS		
Contributions		
City of San Diego (City)		
Employer	\$70,099,844	\$49,743,747
Members' (Employees') Portion Paid By Employer	28,573,503	25,896,431
Members' (Employees') - Includes Service Purchased	58,182,233	51,804,940
DROP - Employer and Members' (Employees') (plus Pension Allowances)	36,291,127	29,831,302
Total City Contributions	193,146,707	157,276,420
Unified Port of San Diego (Port)		
Employer	2,210,040	218,618
Members' (Employees') Portion Paid by Employer	2,682,984	2,897,712
Members' (Employees') - Includes Service Purchased	3,054,333	1,741,145
DROP - Employer and Members' (Employees') (plus Pension Allowances)	223,450	61,468
Total Port Contributions	8,170,807	4,918,943
San Diego County Regional Airport Authority (Airport)		
Employer	248,796	0
Members' (Employees') Portion Paid by Employer	349,658	0
Members' (Employees') - Includes Service Purchased	143,629	0
DROP - Employer and Members' (Employees') (plus Pension Allowances)	6,973	0
Total Airport Contributions	749,056	0
Total Contributions	202,066,570	162,195,363
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments		
Equity (Stocks)	20,522,780	(172,405,121)
Fixed Income (Bonds)	39,613,342	11,002,643
Real Estate Equity and Real Estate Securities	(4,219,145)	7,527,571
Total Net Appreciation (Depreciation) in Fair Value of Investments	55,916,977	(153,874,907)
Other Investment Income		
Equity (Stocks) - Dividends, Litigation Settlements	31,877,448	28,691,290
Fixed Income (Bonds) - Interest	33,395,889	43,931,007
Mortgages - Income	122,668	132,606
Real Estate - Income	13,078,668	15,152,195
Total Other Investment Income	78,474,673	87,907,098
Less Investment Expenses	(12,048,300)	(11,273,944)
Total Net Investment Income (Loss)	122,343,350	(77,241,753)
Securities Lending		
Gross Earnings	3,178,333	5,246,361
Borrow Rebates	(2,089,142)	(3,392,906)
Administrative Expenses (Lending Agent)	(320,945)	(546,462)
Net Securities Lending Income	768,246	1,306,993
Total Investment Income (Loss)	123,111,596	(75,934,760)
Miscellaneous Income	0	450,646
Total Additions	\$325,178,166	\$86,711,249

San Diego City Employees' Retirement System**STATEMENT OF CHANGES IN PLAN NET ASSETS (continued)**

For the Years Ended June 30, 2003 and 2002

	2003	2002
DEDUCTIONS		
Benefit Payments		
Monthly Retirement Allowances	\$145,986,753	\$128,596,099
Health Insurance Payments	11,450,200	8,882,138
Corbett/Andrecht Benefit Payments	1,453	6,813,042
DROP Payments	6,429,005	5,260,951
Death Benefit Payments	407,935	367,682
Total Benefit Payments	164,275,346	149,919,912
Refunds of Members' (Employees') Contributions	1,378,787	994,740
Administrative Expenses	7,834,192	7,591,273
Depreciation Expenses	99,753	35,378
Total Deductions	\$173,588,078	\$158,541,303
Non-Operating Revenue (Expenses)	0	8,441
Net Assets Held in Trust for the Payment of Benefits		
Beginning of Year	\$2,527,459,719	\$2,599,281,332
Net Increase (Decrease)	151,590,088	(71,821,613)
End of Year	\$2,679,049,807	\$2,527,459,719

See accompanying Notes to the Financial Statements.

A Schedule of Funding Progress for each plan sponsor is presented in the Notes to the Financial Statements.

San Diego City Employees' Retirement System
COMPARATIVE STATEMENTS OF PLAN NET ASSETS
For the Years Ended June 30, 2002, and June 30, 2001

	2002	2001
ASSETS		
Cash and Cash Equivalents		
Cash or Equity in Pooled Cash and Investments		
with City of San Diego	\$2,719,260	\$2,088,990
Cash on Deposit with Custodial Bank	178,172,346	109,951,889
Cash Equivalents on Deposit with Custodial Bank	62,705,187	122,153,791
Total Cash and Cash Equivalents	243,596,793	234,194,670
Receivables		
Employer Contributions	6,185,846	5,179,847
Plan Members - Purchased Service	6,577,586	3,386,133
Accrued Interest Receivable	9,743,589	11,250,100
Accrued Interest on Investments Purchased	1,365,282	1,170,406
Securities Sold	47,377,501	20,708,770
Total Receivables	71,249,804	41,695,256
Investments, at Fair Value		
Short Term Investments	23,004,166	11,864,163
Domestic Fixed Income Securities (Bonds)	560,284,211	688,257,352
International Fixed Income Securities (Bonds)	126,953,432	115,499,233
Domestic Equity Securities (Stocks)	935,859,657	1,093,158,064
International Equity Securities (Stocks)	379,798,539	353,605,176
Mortgages	1,515,530	1,617,777
Real Estate Equity and Real Estate Securities	267,069,355	267,250,573
Total Investments	2,294,484,890	2,531,252,338
Securities Lending Collateral	163,484,036	180,088,057
Total Investments including Securities Lending Collateral	2,457,968,926	2,711,340,395
Prepaid Expenses	1,048	39,776
Fixed Assets (at cost, net of accumulated depreciation of \$184,776 and \$288,632, respectively)	290,737	264,578
Total Assets	2,773,107,308	2,987,534,675
LIABILITIES		
Accounts Payable	296,130	813,460
Investment Related Fees Payable	2,644,247	2,531,836
Accrued Payroll	172,334	127,468
Accrued Annual Leave and Sick Leave	264,335	214,193
PPE Conversion Liability	242,886	257,168
Pension Liability	99,064	75,145
Securities Lending Obligations	163,484,036	180,088,057
Securities Purchased	78,444,557	204,146,016
Total Liabilities	\$245,647,589	\$388,253,343
Net Assets Held in Trust for the Payment of Benefits	\$2,527,459,719	\$2,599,281,332

See accompanying Notes to the Financial Statements. (A Schedule of Funding Progress for each plan is presented on page 48.)

San Diego City Employees' Retirement System**COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS**

For the Years Ended June 30, 2002, and June 30, 2001

	2002	2001
ADDITIONS		
Contributions		
City of San Diego		
Employer	\$49,743,747	\$43,385,069
Member Portion Paid By Employer	25,896,431	23,271,129
DROP - Employer	28,740,248	27,326,074
DROP - Member	1,091,054	945,633
Member	51,804,940	34,570,802
San Diego Unified Port District		
Employer	218,618	1,213,404
Member Portion Paid by Employer	2,897,712	2,295,078
DROP - Employer	57,690	29,054
DROP - Member	3,778	2,248
Member	1,741,145	842,287
Total Contributions	162,195,363	133,880,778
Investment Income		
Equity (Stocks) - Dividends, Gains & Losses	(143,713,832)	(110,214,520)
Fixed Income (Bonds) - Interest, Gains & Losses	54,933,650	48,938,421
Mortgages - Income	132,606	107,380
Real Estate - Income, Dividends, Gains & Losses	22,679,767	46,061,008
Less Investment Expenses	(11,273,944)	(11,212,248)
Net Investment Income (Loss)	(77,241,753)	(26,319,959)
Securities Lending		
Gross Earnings	5,246,361	12,866,190
Borrow Rebates	(3,392,906)	(11,170,600)
Administrative Expenses (Lending Agent)	(546,462)	(501,713)
Net Securities Lending Income	1,306,993	1,193,877
Total Investment Income (Loss)	(75,934,760)	(25,126,082)
Miscellaneous Income	450,646	371,123
Total Additions	\$86,711,249	\$109,125,819

San Diego City Employees' Retirement System**COMPARATIVE STATEMENTS OF CHANGES IN PLAN NET ASSETS (cont'd)**

For the Years Ended June 30, 2002, and June 30, 2001

	2002	2001
DEDUCTIONS		
Benefit Payments		
Monthly Retirement Allowances	\$128,596,099	\$117,511,739
Health Insurance Payments	8,882,138	7,207,618
Corbett/Andrecht Benefit Payments	6,813,042	23,630,603
DROP Payments	5,260,951	4,324,380
Death Benefit Payments	367,682	525,090
Total Benefit Payments	149,919,912	153,199,430
Refund of Members' Contributions	994,740	1,462,746
Administrative Expenses	7,591,273	7,645,839
Depreciation Expenses	35,378	28,706
Total Deductions	\$158,541,303	\$162,336,721
Non-Operating Revenue (Expenses)		
Gain (Loss) on Sale/Retirement of Fixed Assets	8,441	—
Net Assets Held in Trust for Pension Benefits		
Beginning of Year	\$2,599,281,332	\$2,652,492,234
Net Increase (Decrease)	(71,821,613)	(53,210,902)
End of Year	\$2,527,459,719	\$2,599,281,332

See accompanying Notes to the Financial Statements.

San Diego City Employees' Retirement System
Comparative Statement of Plan Net Assets
 FOR THE YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

	2001	2000
ASSETS		
Cash and Cash Equivalents		
Cash or Equity in Pooled Cash and Investments on Deposit with City of San Diego	\$2,088,990	\$1,932,589
Cash on Deposit with Custodial Bank	109,951,889	114,124,797
Cash Equivalents on Deposit with Custodial Bank	122,153,791	47,441,443
Total Cash and Cash Equivalents	234,194,670	163,498,829
Receivables		
Employer Contributions	5,179,847	4,717,021
Plan Members-Purchased Service	3,386,133	2,109,280
Accrued Interest Receivable	11,250,100	14,285,278
Accrued Interest on Investments Purchased	1,170,406	2,399,742
Securities Sold	20,708,770	34,402,353
Total Receivables	41,695,256	57,913,674
Investments, at Fair Value		
Short Term Investments	11,864,163	69,460,684
Domestic Fixed Income Securities (Bonds)	688,257,352	888,648,574
International Fixed Income Securities (Bonds)	115,499,233	116,505,899
Domestic Equity Securities (Stocks)	1,093,158,064	1,064,985,536
International Equity Securities (Stocks)	353,605,176	408,202,384
Mortgages	1,617,777	2,784,927
Real Estate and Real Estate Securities	267,250,573	226,687,071
Total Investments	2,531,252,338	2,777,275,075
Prepaid Expenses	39,776	29,283
Properties, at cost, net of accumulated depreciation of \$288,632 and \$259,926, respectively	264,578	293,284
TOTAL ASSETS	\$2,807,446,618	\$2,999,010,145
LIABILITIES		
Accounts Payable	\$813,460	\$22,217
Accrued Payroll	127,468	118,601
Accrued Annual Leave and Sick Leave	214,193	199,878
PPE Conversion Liability	257,168	270,524
Notes Payable	—	553,000
Pension Liability	75,145	51,668
Securities Purchased	204,146,016	345,302,023
TOTAL LIABILITIES	\$205,633,450	\$346,517,911
NET ASSETS HELD IN TRUST FOR THE PAYMENT OF BENEFITS	\$2,601,813,168	\$2,652,492,234

See accompanying Notes to Financial Statements.

San Diego City Employees' Retirement System

Comparative Statement of Changes in Plan Net Assets

FOR THE YEARS ENDED JUNE 30, 2001, AND JUNE 30, 2000

	2001	2000
ADDITIONS		
Contributions		
Employer—City	\$44,337,715	\$39,364,162
Employer—District	1,215,652	1,301,929
Employer—Employee Portion Paid By City	23,271,129	21,986,996
Employer—Employee Portion Paid By District	2,295,078	2,284,825
Employee—City	35,516,435	28,751,540
Employee—District	844,535	781,706
DROP—City	26,373,428	15,992,698
DROP—District	26,806	18,426
Total Contributions	133,880,778	110,482,282
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments		
Equity (Stocks)	(193,229,353)	(52,376,011)
Fixed Income (Bonds)	(6,255,020)	(7,590,722)
Real Estate and Real Estate Securities	21,455,258	1,316,761
Total Net Appreciation (Depreciation) in Fair Value of Investments	(178,029,115)	(58,649,972)
Realized Income		
Equity (Stocks)—Dividends, Gains & Losses	83,014,833	348,273,891
Fixed Income (Bonds)—Interest, Gains & Losses	55,193,442	61,230,868
Mortgages—Earnings	107,379	197,141
Real Estate—Income, Dividends, Gains & Losses	24,605,750	7,355,171
Total Realized Income	162,921,404	417,057,071
Securities Lending Income		
Earnings	1,695,590	1,153,211
Administrative Expense	(501,713)	(344,078)
Total Securities Lending Income	1,193,877	809,133
Less Investment Expenses (Principally Investment Managers' Fees)	(10,075,379)	(9,561,581)
Net Investment Income (Loss)	(23,989,213)	349,654,651
Miscellaneous Income	371,123	308,302
TOTAL ADDITIONS	\$110,262,688	\$460,445,235

San Diego City Employees' Retirement System

Comparative Statement of Changes in Plan Net Assets (continued)

FOR THE YEARS ENDED JUNE 30, 2001 AND JUNE 30, 2000

	2001	2000
DEDUCTIONS		
Benefit and Withdrawal Payments		
Monthly Refirement Allowances	\$117,511,739	\$101,736,915
Health Insurance Payments	7,207,618	5,413,222
Corbett Settlement Benefit Payment	23,630,603	0
DROP Payments	4,324,380	3,097,356
Death Benefit Payments	525,090	345,108
Refund of Terminated Members Contributions	1,462,746	1,250,997
Total Benefit and Withdrawal Payments	154,662,176	111,843,598
Administrative Expenses	6,250,872	5,813,354
Depreciation Expenses	28,706	21,887
TOTAL DEDUCTIONS	\$160,941,754	\$117,678,839
NET ASSETS HELD IN TRUST FOR PAYMENT OF BENEFITS		
Beginning of Year	\$2,652,492,234	\$2,309,725,838
Net Additions (Deductions)	(50,679,066)	342,766,396
END OF YEAR	\$2,601,813,168	\$2,652,492,234

See accompanying Notes to Financial Statements.